

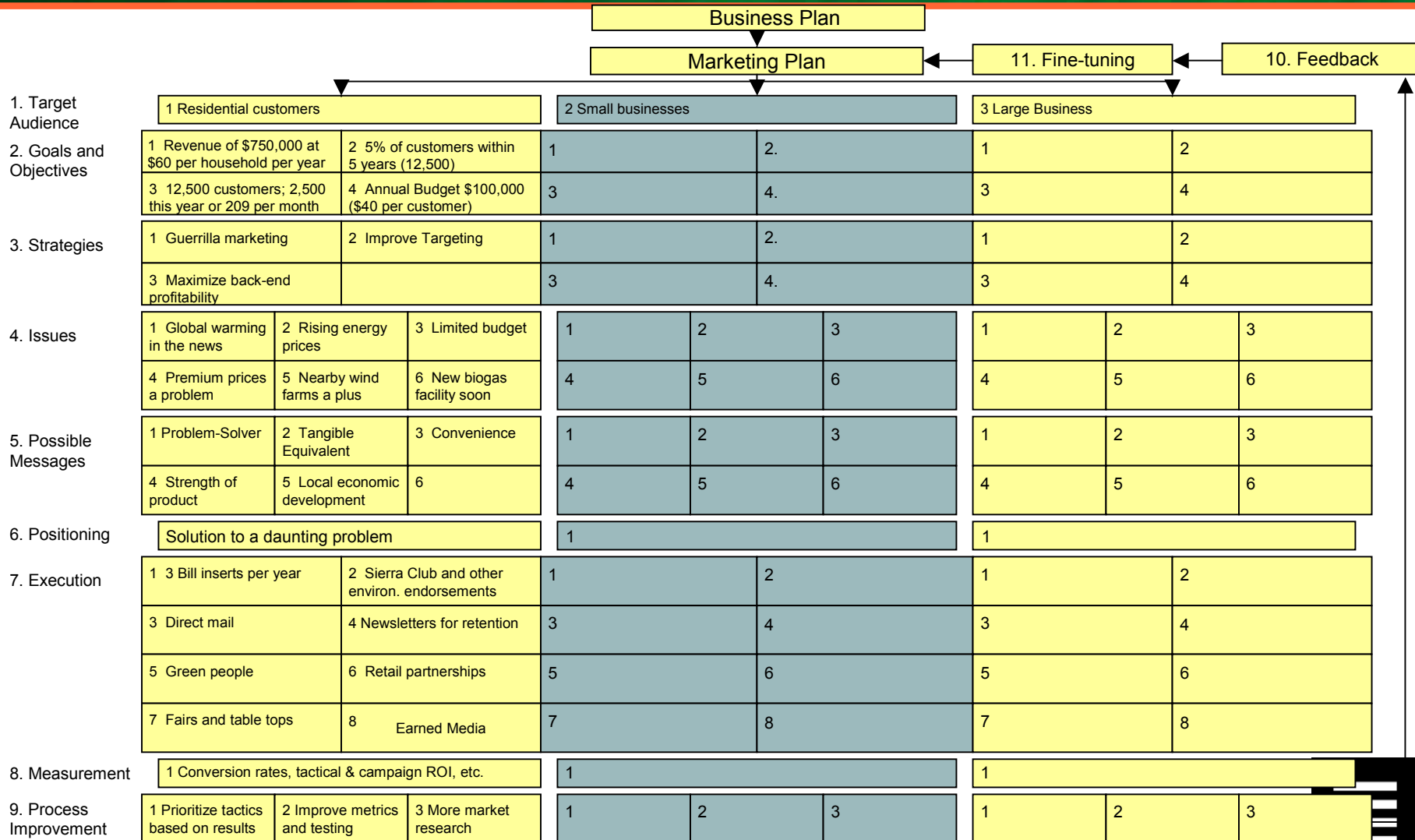
Dear Customer: Innovative Marketing Tactics (green pricing case study analysis)

Barry Friedman
Research Manager
E SOURCE Green Energy Watch

October 25, 2005
DOE Green Power Marketing 10

platts

Does Direct Response Make Sense within your Marketing Plan?



Letter vs. Brochure:

Cost Picture on 100,000 piece mailing

Assumptions:
100,000 piece mailing, 1 percent response

- Letter
 - Per piece cost: \$0.30 - \$0.38
 - Cost per acquired customer: \$30 - \$38
 - Payback: ~6-months
- Brochure
 - per piece cost: \$0.65 - \$1.29
 - Cost per acquired customer: \$65 - \$129
 - Payback: ~18-24 month

History: SMUD's Greenery Letter Excerpts (Late 2003)

Dear [SMUD Customer]:

Greenery – It's Like Planting $\frac{3}{4}$ of an Acre of Trees or Parking Your Car for Six Months. †

Keep reading to find out more about the important energy choices that you have, how little it costs to make a difference with Greenery, and how you can get a free \$15 Arden Fair Mall gift certificate just for signing up for six months or more.

...

Join For Six Months and Get a Free \$15 Arden Fair Mall Gift Certificate – It's easy to enroll or request a free green power buyers guide. Just fill out and mail the reply card, call SMUD at 888-742-SMUD (7683) or visit Greenery on-line at www.smud.org.

Greenest Regards,

Jim Burke - Program Manager

PS - This offer is limited, to get your free gift certificate reply on or before 12/31/03.

Source: SMUD

What Folks Read (In Order)

- **Headline**
- **Johnson box**
- **Postscript**
- **Graphics and captions**
- **Bullets and bold**

How Effectively Current Messages Motivate:

Source: Platts; n=490

Message Statement	Average (Scale from 1-10)	% Top Box	% Top 2 Box
Environmental equivalent.	6.85	13.2	29.2
50% of premium earmarked for new renewable development.	6.5	8.3	20.2
A simple, easy way to make a difference.	6.09	5.9	15.3
For your children and grandchildren.	6.07	7.5	18.3
Local jobs and economic development.	6	5.3	13.9
The peace of mind of being part of the solution.	5.94	6.5	15.5
Could already run every factory in New York, New Jersey, Michigan, and Illinois.	5.88	6.1	15.1
Could already run every home in New England.	5.72	5.5	15.8
One of the fastest growing clean energy programs in the country.	4.36	0.6	3.4

The Problem-Solver Message: We Energies' Response to the “Missed Opportunity”

You solve problems every day. Now you can help clean up the environment everyday, too.

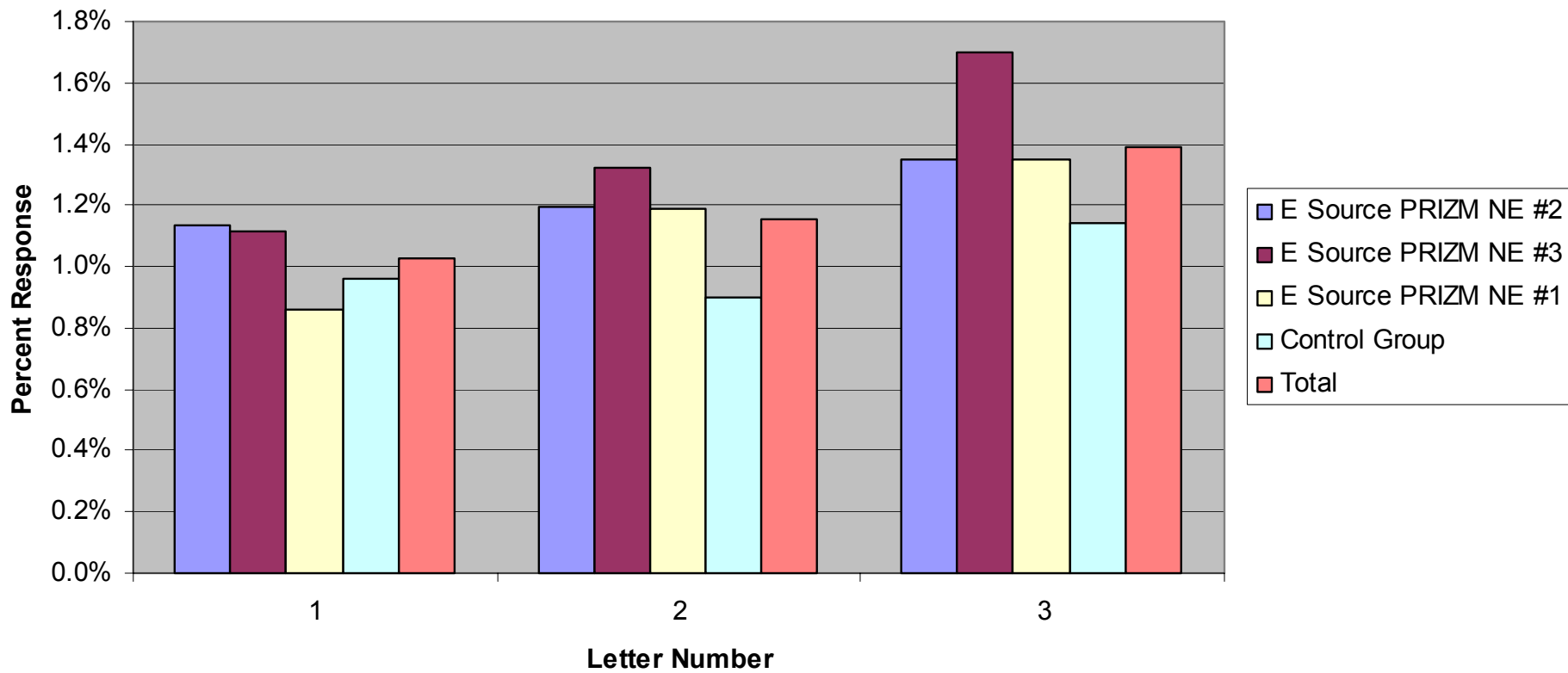
You love the feeling of satisfaction you get when you solve a problem. But sometimes the problems you are most concerned about seem out of your control – like taking care of the environment. That's frustrating. You could throw up your hands, but that's not you. You face life head-on. When it comes to the environment, you want to choose how the electric you consume is generated.

We Energies Energy For Tomorrow – Testing Traditional Messages

- **Environmental Equivalent: Similar to planting two acres of trees or parking an SUV for 12 months.**
- **Legacy: Preserve the environment for future generations.**

We Energies' Energy for Tomorrow Program: Message and Segment Testing

2005 Direct Mail Campaign Analysis



Source: We Energies

Cost Savings – We Energies Spring 2005

- **Per-piece cost (letter):**
\$0.32

PRIZM NE segmentation:

**Spent \$9718 to acquire 411
customers (\$23.64/customer)**

- **Response:**

At Random Response Rate:

- **1.35% - targeted group
(411 sign-ups/30,367
households).**

- **\$31.27/customer**
- **Would have had to mail to extra
9,898 extra households to get 411
sign-ups**

- **1.02% - random group**

Cost savings vs. random:

- **Confidence interval: 90%**

- **\$3,167 (\$7.71/customer)**
- **~28% of budget**

Revenue Generation – We Energies Spring 2005

- Control Response Rate = 1.02%
PRIZM NE Segmentation:
Acquired 411 new customers (\$24,660/year)
- Targeted Response Rate = 1.35%
Random:
Would have acquired 310 new customers (\$18,585/year)
- Average Annual Revenue per Customer = ~\$60
Annual revenue gain, targeted vs. random:
 - 101 customers
 - \$6,075 (~33% difference)

PacifiCorp's Blue Sky Program: Spring 2005 Mailing

Group	HHs Sent	Sign-ups	Response Rate
A Group	30,358	380	1.25%
B Group	77,076	796	1.03%
Total, targeted	107,434	1,176	1.09%
Control Group	10,000	67	0.67%
Total mailing, letter	117,434	1,243	0.99%
Test of Brochure	11,933	38	0.32%

Cost Savings – PacifiCorp “A” Group

➤ Per-piece costs:

- Letter: \$.38.
- Test brochure: \$1.29.

➤ Response:

- 1.25% - “A” group (380 sign-ups).
- 0.67% - Random group (67 sign-ups).
- Confidence interval: 95%

PRIZM NE Segmentation:

Mailed to 30,358 to acquire 380 customers (\$30.35/customer)

At Random Response Rate:

\$56.72/customer

Would have had to mail to ~27,000 extra households

Cost Savings vs. Random:

- At letter rate: ~\$10K (\$26.37/customer)
- At brochure rate: ~\$35k (\$193.50/customer)
- ~45% of budget

Cost Savings – PacifiCorp Total Spring 2005 Mailing

➤ Per-piece costs:

- Letter: \$.38.
- Brochure (test): \$1.29.

➤ Response:

- 1.09% - Targeted group (1,176 customers).
- 0.67% - Random group;

PRIZM NE Segmentation:

Mailed to 107,434 to acquire 1,176 customers (\$34.72/customer)

At Random Response:

\$56.72/customer

Would have had to mail to ~68,000 extra households

Cost Savings vs. Random:

- At letter rate: ~\$26K (\$22/customer)
- At brochure rate: ~\$88k (\$74.83/customer)
- ~58% of budget

Revenue Generation – PacifiCorp Spring 2005 Mailing

Goal:

- Maximize new sign-ups and ROI from a mailing with a ~\$41,000 budget.

Results:

- Control Response Rate = 0.67%
- Segmentation Response Rate = 1.09%
- Annual Revenue per Customer = ~\$60

PRIZM NE Response Rate:

Acquired 1,176 new customers
(\$70,560/year)

Random Response Rate:

Would have acquired 720 new customers (\$43,188/year)

Annual revenue gain, targeted vs. random:

- 456 extra customers
- ~\$27,360 (63% difference)

3 Phases Energy for Pacific Power's Blue Sky - Oregon, Spring/Summer 04

Random Mailing (Control Group):

Accounts mailed: 5000

New Customers: 29

Response rate: .58%

Mailing Using E SOURCE PRIZM Data

Accounts mailed: 22,369

New Customers: 306

Response rate: 1.37%

(2.36x the random mailing response rate)

Cost Savings – 3 Phases Energy, Oregon

Per piece cost:
~\$.65-70.

Response:
1.37% - Target group
Mailed to 22,369 HHs to acquire
306 customers.

0.58% - Random group

PRIZM Segmentation:

306 customers
Cost: ~\$14,500 (\$~47.39/customer)

Control (Random Mailing):

~\$112/customer
Would have had to mail to ~53K
extra HHs
Cost: \$~34K (~\$111/customer)

Cost Savings vs. Random:

~\$20K
~\$64/customer
(~111% of budget)

Revenue Generation – 3 Phases Energy, Oregon

1.37% - Target group

0.58% - Random group

Average Annual Revenue
per Customer = ~\$60

PRIZM Segmentation:

**acquired 306 customers
(~\$18k/year)**

Control (Random Mailing):

**Would have acquired 130
customers
(~\$7800/year)**

Revenue Gain, targeted vs. random:

- **Extra 176 customers**
- **\$10,560/year (135%)**

For More Information

Barry Friedman

Research Manager

E SOURCE Green Energy Watch

Platts, Boulder, Co.

Tel. 720-548-5417

barry_friedman@platts.com